

DESCRIPTION OF STOCK OWNERSHIP PLANS

The Washington Office of the Insurance Commissioner advised Premera that, among the issues to be addressed by Premera in connection with the proposed Conversion Transaction described in the Statement Regarding the Acquisition of Control of a Domestic Health Carrier and Domestic Insurer dated September 17, 2002 (the “Form A filing”), is the matter of stock programs. By communication dated October 7, 2002, the Office of the Insurance Commissioner requested that Premera submit a Description of Stock Ownership Plan as part of the Form A filing.

As of the date of this filing, the Boards of PREMERA and Premera Blue Cross have not approved any stock program, or made any determinations as to the nature of any stock programs that may be adopted in the future by them, or by or on behalf of New PREMERA.

Recognizing that the Office of Insurance Commissioner has requested information about potential stock programs, and in order to provide assurances that future programs will be subject to certain limitations and restrictions, the Boards of PREMERA and Premera Blue Cross have authorized management to make certain commitments, as set forth in this Exhibit G-10, to the Office of Insurance Commissioner, related to stock programs at New PREMERA, in connection with the Conversion Transaction.

It is anticipated that New PREMERA, as a stock corporation, will adopt one or more stock-based compensation plans covering employees, officers and directors, which may include stock options, restricted stock, stock appreciation rights, performance stock and performance awards, or such other stock programs as may be utilized by stock corporations. The terms of any such plan will be approved by the New PREMERA Board of Directors and its Compensation Committee, and will be subject to the rules of any stock exchange upon which the stock of New PREMERA may be listed and such other laws and regulations as are otherwise applicable to stock programs for publicly traded corporations. While the terms of any such plan(s) have not yet been determined, Premera hereby makes the following commitments to the Office of Insurance Commissioner as a condition for approval of the Conversion Transaction, and such commitments shall remain enforceable by the Office of Insurance Commissioner and shall remain in full force and effect unless this Exhibit G-10 is modified by Premera prior to approval of the Form A filing.

Any stock programs for officers, employees and/or directors at New PREMERA shall be subject to the following restrictions (the “Stock Program Restrictions”):

(1) Maximum Share Reserve:

During the Stock Restriction Period (as defined below), the maximum number of shares that may be granted as part of any stock-based program to officers, employees and directors of New PREMERA or its affiliates shall, in the aggregate, not exceed seven percent (7%) of the total number of shares of New PREMERA (including the shares issued for the benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the Conversion Transaction and any subsequent equity offerings (the “Maximum Share Reserve”).

(2) Stock Restriction Period:

The Stock Program Restrictions set forth in Section 1 of this Exhibit G-10 shall apply for a period of twenty-four (24) full calendar months following the Conversion Date (the “Stock Restriction Period”). For purposes of this Exhibit G-10, the Conversion Date is the day on which the reorganization of the Premera companies consistent with the reorganization transactions as described in the Form A filing occurs and the initial stock of New PREMERA is issued for the benefit of the Foundation Shareholder.

(3) Initial Year Restrictions:

The following limitations shall apply for a period of twelve (12) full calendar months after the Conversion Date (the “Initial 12-Month Period”).

(a) Prohibition on Stock Grants:

New PREMERA shall not make any grants of shares of New PREMERA stock or any grants of options for New PREMERA stock other than as provided in subsection 3(b) during the Initial 12-Month Period to any officer, employee or director of New PREMERA or the affiliates of New PREMERA.

(b) Limitation on Stock Option Grants:

New PREMERA shall not make any grants of stock options during the Initial 12-Month Period to any officer, employee or director of New PREMERA except as provided in Subsections 3(b)(i) and 3(b)(ii) below:

(i) One-Time Option Grant to Employees Other than Officers or Directors (the “One-Time Grant”):

New PREMERA may make, at its discretion and at any time during the Initial 12-Month Period, a one-time grant of stock options to any employee of New PREMERA or its affiliated companies provided such grant meets the following requirements:

- Participants in One-Time Grant: No recipient of such stock option grant may be an officer or member of the Board of Directors of New PREMERA or New Premera Blue Cross, or any individual who, prior to the Conversion Date, served in the capacity of an officer or member of the Board of Directors of PREMERA or Premera Blue Cross.
- One-Time Grant Share Reserve: The total number of shares which may be granted under the One-Time Grant under this Subsection 3(b)(i) shall not exceed one and one-half percent (1.5%) of the total number of shares of New PREMERA (including the shares issued for the benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the Conversion Transaction and any subsequent equity offerings. Any grants that are made under the One-Time Grant shall constitute part of the Maximum Share Reserve. If and to the extent any portion of the One-Time Grant Share Reserve is not utilized for One-Time Grants, such unutilized percentage of shares may be utilized for grants otherwise permitted under this Exhibit G-10 subject to the Maximum Share Reserve.
- Exercise Price:

The exercise price per share for such options to purchase stock of New PREMERA pursuant to the One-Time Grant shall be no less than 100% of the fair market value of such stock on the date of the grant of such option.

(ii) Ongoing Grants:

- New PREMERA may make, at its discretion and at any time during the Initial 12-Month Period, in addition to the One-Time Grant provided for in Subsection 3(b)(i), ongoing grants of stock options to any officer, employee or director of New PREMERA or its affiliated companies (the “Ongoing Grants”), provided that the total number of shares for which options may be granted as Ongoing Grants during the Initial 12-Month Period (over and above the shares reserved for the One-Time Grant), shall not exceed two and eight-tenths percent (2.8%) of the total number of shares of New PREMERA (including the shares issued for the

benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the Conversion Transaction and any subsequent equity offerings. The exercise price per share for such options to purchase stock of New PREMERA shall be no less than 100% of the fair market value of such stock on the date of the grant of such option. Any grants that are made under the Ongoing Grants shall constitute part of the Maximum Share Reserve. If and to the extent any portion of the shares available for Ongoing Grants under this subsection are not utilized in the Initial 12-Month Period, such unutilized percentage of shares may be utilized for grants as otherwise permitted under this Exhibit G-10 subject to the Maximum Share Reserve.

(4) Shareholder Voting:

If and to the extent that applicable law or stock exchange listing rules require shareholder approval of any stock plans approved by the Board of Directors or the Compensation Committee of New PREMERA, the following shall apply:

(a) For so long as the only issued and outstanding shares of New PREMERA are the shares issued for the benefit of the Foundation Shareholder, then such shares shall be voted in accordance with the requirements of the Voting Trust and Divestiture Agreement (Exhibit G-4 of the Form A filing).

(b) In addition to the approval requirement provided for under subsection 4(a), after the issuance of shares of stock of New PREMERA to persons or entities other than the Foundation Shareholder (“Third-Party Stockholders”), New PREMERA shall not adopt any new or amend any existing stock plan that requires shareholder approval unless the holders of a majority of shares held by Third-Party Stockholders also vote in favor of adoption of such plan.

Nothing contained in this Exhibit G-10 or otherwise in the Form A filing shall be construed to limit any officer, employee or member of the Board of Directors of PREMERA, Premera Blue Cross, New PREMERA, or New Premera Blue Cross from purchasing shares of New PREMERA at such time as shares are initially sold to Third-Party Stockholders (other than such officers, employees or members of the Board of Directors), or at any time thereafter, provided (i) such purchase by such officers, employees or members of the Board of Directors is at 100% of the fair market value of such stock, and (ii) that the shares shall be deemed to be purchased at fair market value if the price is equal to the price paid by other Third-Party Stockholders (other than such officers, employees or members of the Board of Directors).

At the expiration of the Stock Restriction Period, none of the restrictions, prohibitions or conditions contained in this Exhibit G-10 shall have any further force or effect.